

Tax Supported  
New Issue

## Hillsborough County, Florida

### Ratings

#### New Issue

Limited Ad Valorem Tax Refunding  
Bonds (Environmentally Sensitive  
Lands Acquisition and Protection  
Program [ELAPP]), Series 2003 ..... AA-

#### Outstanding Debt

Limited Ad Valorem Tax  
Bonds (ELAPP) ..... AA-  
(Upgraded to 'AA-' on 5/1/03)

### Analysts

Rebecca A. Hall  
1 212 908-0773  
rebecca.hall@fitchratings.com

Rebecca Rhynhart  
1 212 908-0568  
rebecca.rhynhart@fitchratings.com

### Issuer Contact

Michael Merrill  
Director, Debt Management Department  
1 813 272-6576

### New Issue Details

Approximately \$10,870,000 Limited Ad Valorem  
Tax Refunding Bonds (ELAPP), Series 2003,  
are scheduled to sell competitively on May 20  
and mature July 1, 2004–2011.

**Security:** The bonds are secured by a limited  
ad valorem tax that may not exceed 0.25 mill  
and expires at the end of fiscal 2011.

**Purpose:** Bond proceeds will be used refund  
the county's outstanding series 1994 limited  
ad valorem tax bonds (ELAPP).

### ■ Outlook

The 'AA-' rating reflects stronger debt service coverage due to solid assessed valuation (AV) growth in the last six years and the general credit characteristics of Hillsborough County, including sound financial practices, low tax-supported direct debt burden, and a diversified economic base. The bonds are secured by a limited ad valorem tax that may not exceed 0.25 mill. The maximum 0.25-mill levy would provide 2.2 times (x) maximum annual debt service (MADS) coverage based on fiscal 2003 taxable AV.

The county levies the environmentally sensitive lands acquisition and protection program (ELAPP) tax annually at a level sufficient to provide slightly more than 1.00x debt service coverage. The rating reflects these coverage levels, a 1.10x additional bonds test, and a requirement for maintenance of a \$500,000 fund balance in any year for which projected tax collections (if levied at the maximum 0.25-mill rate) would provide less than 1.20x coverage. Although unexpected AV decreases could affect coverage ratios, the short amortization of these bonds, solid population expansion, and history of AV growth mitigate this risk.

### ■ Rating Considerations

Located midway along the western coast of Florida, Hillsborough County is the fourth most populated county in the state. Population increased nearly 20% from 1990–2000 and reached an estimated population of 1.1 million in 2002. The county's economy is diversified, with the services and trade sectors accounting for the largest components of the employment base. Tampa is home to numerous regional headquarters and multinational finance and insurance companies and provides employment opportunities to residents countywide. While Hillsborough's tourism industry has been affected by the national economic slowdown, county unemployment rates have increased only marginally in the past year and continue to be lower than those of the state and nation, showing the stability of the local economy. Hillsborough's tax base growth has been strong; AV has increased at the annual average rate of 9.5% over the last five years.

The county's financial position is sound. At the end of fiscal 2002, the unreserved fund balance in the general fund equaled \$106.4 million, or 17.5% of expenditures and transfers out. Except for a slight decrease at the end of fiscal 1999, the county has increased fund balance steadily over the last seven years.

County direct debt levels are low. In addition to direct debt, the county has various contingent liabilities for other governmental units. The county's fiscal years 2003–2007 capital improvement plan (CIP) is focused mainly on water and wastewater, transportation, and solid waste improvements. Of the \$712 million in CIP projects, 68% will be

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funded by pay-as-you-go sources, including community investment taxes, enterprise fees, and ad valorem tax revenues.

## ■ Strengths

- Solid debt service coverage due to growing tax base.
- Requirement of \$500,000 fund balance if projected coverage by maximum collections dips below 1.2x.
- Stable local economy.
- Sound financial management and performance.

## ■ Risks

- Although mitigated by AV trends, narrow debt service coverage from a fixed ad valorem millage creates vulnerability to AV declines.
- Contingent liabilities have potential to affect general fund.

## ■ Bond Characteristics

**Security:** The bonds are secured by a pledge of and an irrevocable lien on the proceeds of an ad valorem tax not to exceed 0.25 mill, which expires at the end of fiscal 2011, and investment income. The property tax can fund up to \$100 million in bonds.

**Additional Bonds Test:** Additional bonds may be issued if the maximum limited tax collection will be at least equal 110% MADS on all bonds. If coverage is less than 1.20x, the county covenants to maintain a balance of \$500,000 within the ELAPP operating fund from which debt service deficiencies could be cured.

**Revenue Sufficiency:** The limited tax must be levied in an amount sufficient to pay annual ELAPP bond debt service requirements. Given annual growth in the tax base since fiscal 1994, the actual limited tax levy has declined from 0.25 mill in fiscal 1995 to 0.114 mill in fiscal 2003. The 0.114-mill levy will produce approximately \$5.3 million, which covers MADS (\$5.2 million) just over 1.0x. Nevertheless, the county may levy up to the full 0.25 mill. A maximum levy would have resulted in about \$11.6 million in revenues during fiscal 2003, providing 2.2x MADS coverage.

While severe and unexpected drops in AV would affect coverage ratios, approximately 54% of the limited levy is currently unused. This capacity, as well as the county's covenant to maintain a fund balance cushion of \$500,000 in years of lower maximum coverage, provides additional bondholder security.

## Debt Statement

(\$000)

This Issue	10,870
Non-Ad Valorem Revenue Bonds	231,176
Other Debt	250,745
Less: Refunded Portion	10,225
Total Direct Debt	482,566
Overlapping Debt	1,697,710
Total Overall Debt	2,180,276

## Debt Ratios

Direct Debt Per Capita(\$)*	470
As % of Market Value**	1.04
Overall Debt Per Capita(\$)*	2,122
As % of Market Value**	4.72

\*Population: 1,027,318 (2001). \*\*Market value: \$46,204,981,000 (2003).

## ■ Debt

Hillsborough County's direct debt level is low, at only \$470 per capita and 1.0% of market value. Overlapping debt levels — including debt from the school district, the city of Tampa, and the Tampa Sports Authority (TSA) — are higher at \$2,122 per capita and 4.72% of market value. The debt amortization schedule is average, with 28% and 55% retired within five and 10 years, respectively. After this issue, less than 10% of the county's debt will be supported with property taxes; the rest is supported by non-ad valorem revenues, including special assessment, fuel tax, and sales tax revenues.

Overlapping debt includes the county's contingent liabilities for other governmental units. In 1997, the county agreed to participate with the TSA in financing a new stadium, a practice facility, and other related projects. In connection with this agreement, the TSA issued \$149 million of local option sales tax revenue bonds, \$30 million of Florida sales tax bonds, and \$11 million of tourist development tax revenue bonds in 1997. The county has agreed to pay two-thirds of any operations and maintenance cash shortfall in the TSA's annual budget for as long as the project bonds are outstanding.

In fiscal 2001, the county made a first-time payment for the TSA's operating shortfall. This shortfall was the result of the TSA's payment of property taxes because certain property owned by the TSA was deemed to have private use and was added to the tax rolls. A district court decision affirmed the taxable status of these properties. In fiscal 2001, the TSA had to pay \$11.8 million in taxes due from both 1999 and 2000. The TSA made a \$5.2 million payment from its reserves, and the county made a \$4.4 million payment to cover two-thirds of the remaining cash shortfall. The county received \$3.5 million of the funds back as property tax payments in fiscal 2001, resulting in a

net county payment of approximately \$1 million. The net county payment in fiscal 2002 was \$1.8 million, and the county has budgeted a payment for fiscal 2003. TSA, the county, and Tampa are currently in negotiations to convey the property to the county, so that it becomes tax-exempt. TSA would then enter into a lease-lease back agreement with the city and county.

The county also entered into an agreement with the Tampa Port Authority in 1995 to provide support for \$80 million of revenue bond issuance. As of September 2002, the county has not been required to make any payments under this agreement. A similar agreement with the aviation authority terminated in 1999.

First approved by voters for a four-year period in 1987 and renewed for 20 years in 1990 by a 3:1 margin, the ELAPP tax can only be used for debt service to purchase and preserve endangered and environmentally sensitive lands. It is one of the financial mechanisms the county uses to identify, evaluate, and protect property meeting program criteria. The county has purchased roughly 36,000 acres of land and has over 70,000 acres on its wish list. The program is very popular with citizens, and the county plans to try to extend the 0.25-mill levy by referendum sometime in the next three to four years.

The county's fiscal years 2003–2007 CIP totals \$712 million and is focused mainly on water and wastewater (28% of total projects), transportation (39%), and solid waste improvements (13%). A substantial 68% will be funded by pay-as-you-go sources, including community investment tax ( $\frac{1}{2}$ -cent sales tax), enterprise fees, and ad valorem tax revenues. It is the county's policy to use at least 1% of the countywide and unincorporated area revenues for pay-as-you-go capital funding. The county plans to issue CIP refunding revenue bonds and utility system revenue refunding bonds later this fiscal year.

### ■ Finances

The county's financial position is sound. At the end of fiscal 2002, the general fund unreserved fund balance increased \$22.7 million to a strong \$106.4 million, or 17.5% of expenditures and transfers out. Except for a slight decrease at the end of fiscal 1999, the county has boosted its fund balance steadily over the last seven years, from \$34.8 million, or 9.0% of expenditures and transfers out, in fiscal 1995.

Since taking a small 1% dip in fiscal 1994, taxable AV has increased steadily with strong 9.3% annual growth in the last six years; AV increased at the high rate of 7.7% in fiscal 2003. New construction permit values to AV peaked in fiscal 2000 at 3.4% and have

### Financial Summary — General Fund Only

(\$000, Audited Fiscal Years Ended Sept. 30)

	1998	1999	2000	2001	2002
Taxes	305,872	333,541	354,495	390,054	442,095
Licenses and Permits	755	2,430	2,840	3,020	3,709
Intergovernmental	4,336	4,211	4,773	4,900	4,029
Charges for Services	24,420	25,358	42,399	42,459	55,482
Other	<u>35,511</u>	<u>31,543</u>	<u>20,443</u>	<u>21,584</u>	<u>14,025</u>
Total Revenues	370,894	397,083	424,950	462,017	519,340
General Government	47,297	48,941	54,318	59,547	61,990
Public Safety	46,277	49,162	53,278	57,872	61,617
Human Services	21,343	24,060	25,633	28,899	37,257
Culture and Recreation	21,117	23,907	26,517	33,958	35,873
Debt Service	—	—	—	—	—
Other	<u>23,839</u>	<u>33,912</u>	<u>30,843</u>	<u>33,629</u>	<u>48,688</u>
Total Expenditures	159,873	179,982	190,589	213,905	245,425
Net Change	211,021	217,101	234,361	248,112	273,915
Transfers In	90,172	92,536	89,027	84,773	108,204
Transfers Out	(276,081)	(313,216)	(303,598)	(319,484)	(356,845)
Other Uses	—	—	(271)	(5,072)	(5,249)
Net Surplus/Deficit	25,112	(3,579)	19,519	8,329	20,025
Total Fund Balance	70,144	66,868	86,339	94,174	114,320
As % of Expenditures and Transfers Out	16.1	13.6	17.5	17.5	18.8
Unreserved Fund Balance	69,071	65,492	85,011	83,707	106,414
As % of Expenditures and Transfers Out	15.8	13.3	17.2	15.7	17.5

hovered at 2.6% for the last two fiscal years, an indication that AV will probably continue to grow albeit at a slower pace.

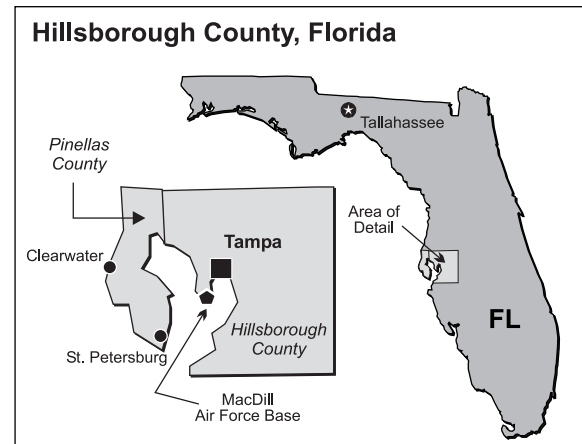
AV growth has allowed the county to lower the countywide operating tax levy for seven consecutive years, from 7.905 mills in fiscal 1995 to 7.1982 mills in fiscal 2003, increasing its flexibility to raise taxes under the 10-mill statutory cap. The unincorporated area's operating millage has remained constant, at 5.062 mills over the same period, amid rising public safety costs.

The county's tourism industry felt the effects of Sept. 11 and the national economic slowdown, as demonstrated by fiscal 2002 tourist development tax receipts that were 13% below fiscal 2001 levels at year-end. Accounting for the estimated effect of the 2001 SuperBowl hosted by the City of Tampa, tourist taxes are down a slightly lower 11%. The fiscal 2003 budget projects tourism taxes to be 5% lower than 2001 actuals.

Management and planning are sound. The county prepares a two-year budget projecting revenues and expenditures, which is updated every year. The county also prepares a five-year pro forma budget for the general fund projecting revenue and expenditure trends. The adopted fiscal 2003 budget is for \$2.8 billion, 9.4% larger than fiscal 2002. With the 0.24-mill reduction in operating millage, the county projects property tax income to increase 6.4% compared with the 2002 budget. Economically sensitive revenue streams like the local option gas tax, sales taxes, and tourism taxes are budgeted to collectively grow 3.7%. The total operating budget is expected to increase 7.3%. It is the county's policy that the ending general fund balance must equal a minimum of 5% of expenditures for each fiscal year. The actual fund balance has been consistently much higher.

## ■ Economy

Hillsborough County is the fourth largest county in Florida, approximately midway along the western coast on Tampa Bay. The City of Tampa is the county seat and serves as the Florida Gulf Coast's economic center. The only other incorporated municipalities in the county are the cities of Temple Terrace and Plant City. Population increased nearly 20% from 1990–2000 and reached an estimated population of 1,053,864 in 2002. Hillsborough County's growth has occurred mostly outside the City of Tampa.



The county's economy is diversified, with the services and trade sectors accounting for the largest components of the employment base. Tampa is home to numerous regional headquarters and multinational finance and insurance companies and provides employment opportunities to residents countywide. In addition, tourism is an important industry to the county. Bush Gardens, a nationally recognized theme park, is located in the county. While the county's tourism industry has felt the effects of the national economic slowdown, unemployment rates have only increased marginally, from 4.4% in January 2002 to 4.6% in January 2003, and are still lower than state and national levels, showing the stability of the local economy.

Top employers in the county include Hillsborough County School Board (employing 25,487), Verizon (14,000), University of South Florida (11,607), Hillsborough County (9,922), Tampa International Airport (7,760), MacDill Air Force Base (5,645), St. Joseph's Hospital (5,242), City of Tampa (4,500), Publix Food Centers (4,342), the U.S. Postal Service (3,947), and Bank of America (3,754). The county is home to the Port of Tampa, which is reportedly the largest tonnage port in Florida. In fiscal 2002, roughly 587,500 passengers passed through the port; it also opened its fourth cruise terminal this past fall.

Hillsborough County's wealth levels are on par with state and national levels. Per capita personal income was \$27,458 in 2000, 99% of state and 93% of national averages. Median household buying income in 2001 was 112% and 103% of state and national levels, respectively.

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